



County of Los Angeles

CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

June 16, 2005

Board of Supervisors
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First District

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Second District

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Third District

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To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

REPORT ON THE PLAN FOR MANAGING THE DEPARTMENT OF HEALTH SERVICES DEFICIT (ITEM NO. 16, AGENDA OF JUNE 20, 2005 - BUDGET DELIBERATIONS)

On April 26, 2005, your Board instructed my office to report back prior to the budget deliberations with a sustainable strategy, including revenue sources, for managing the projected budget deficit facing the Department of Health Services (DHS).

As part of that strategy, we have included in the Final Recommended Budget an additional \$85.0 million, comprised of \$65.4 million of increased on-going funding and \$19.6 million of on-going funding transferred from the Designation for Budgetary Uncertainties, for a total of \$125.0 million annually when combined with the \$40.0 million in the Proposed Budget. These funds will be placed in a designation for Health Department Future Financing Requirements in anticipation of the DHS projected deficit beginning in 2006-07.

As reflected in the Health Department Budget Committee of the Whole report, dated June 16, 2005, the additional general fund contribution beginning in 2005-06 reduces the projected 2006-07 deficit to \$197.7 million. While this does not eliminate the projected DHS deficit, it does mitigate the size of the potential curtailments facing DHS and provides additional time for the Department to better assess the impact of the final Medi-Cal Redesign proposal and the potential for other Medi-Cal revenue enhancement proposals.

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Therefore, based on discussions with DHS, we are not presenting specific service reduction recommendations for action by your Board at this time.

Since the Department still faces significant future budget shortfalls, however, despite the additional general fund contributions, DHS has again reviewed the service reduction recommendations that were contained in Scenarios II and III of its June 2002 System Redesign Plan and has developed the attached list of potential savings options that could be implemented to further offset these deficits. If taken together, these reductions could result in budgetary savings in excess of \$300.0 million.

The attached list of options is being provided to your Board primarily to serve as the starting point for discussions over the coming months about the future configuration of DHS services. DHS will continue to report on its fiscal outlook in the Health Department Budget Committee of the Whole reports and anticipates returning to your Board around the middle of the fiscal year with recommendations for service reductions, as necessary.

If you have questions or need additional information, please contact me, or your staff may contact Sheila Shima of my staff, at (213) 974-1160.

DEJ:DL
SAS:bjs

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Director of Health Services

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
SAVINGS OPTIONS FOR FUTURE CONSIDERATION
JUNE 10, 2005

SIZE OF STRUCTURAL DEFICIT: APPROXIMATELY \$500M* STARTING IN FY 06-07

Savings Options	Estimated \$ in Millions*
Close all comprehensive health centers	
- Close Roybal CHC (Northeast)	\$ 24.5
- Close Hudson CHC (Northeast)	30.3
- Close El Monte CHC (Northeast)	20.7
- Close Long Beach CHC (Coastal)	12.5
- Close Humphrey CHC (Southwest)	22.0
- Close Mid-Valley CHC (San Fernando)	21.5
Close remaining personal health service centers	
- Close La Puente HC (Northeast)	2.2
- Close Bellflower HC (Coastal)	2.5
- Close Wilmington HC (Coastal)	3.5
- Close Dollarhide HC (Southwest)	2.1
- Close Glendale HC (San Fernando)	1.9
- Close San Fernando HC (San Fernando)	1.3
Eliminate PPP/GR funding of non-DHS health centers	51.4
Reduce Public Health's net cost by original Scenario II	5.6
Convert H/UCLA or MLK/D to a MACC	85.0
Eliminate OB and Peds services	- **
Close psychiatric ER's	20.6
Total	<u>\$ 307.6 ***</u>

* Subject to change, particularly as a result of Medi-Cal Redesign. Proposed service reduction amounts reflect estimates as of March 2005.

** Savings from these services is pending analysis.

*** Balance of \$192.4M from fiscal relief including Medi-Cal Redesign, other State assistance, tobacco settlement funds and increased County contribution.